IA Clarington Loomis International Growth Fund

Manager commentary – Q2 2025

Over the long term, we believe that markets are efficient. Near term, however, we believe innate behavioural biases, such as herding, overconfidence or loss aversion, may influence investment decisions and create asset pricing anomalies. These pricing inefficiencies converge toward intrinsic value over time. Market efficiency is thereby dynamic, existing along a continuum between fully efficient and inefficient pricing. Therefore, we attempt to identify intrinsic value and exploit the long-term differential between this value and the market's current perception. We look to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value.

Over the quarter, IA Clarington Loomis International Growth Fund Series A posted returns of 4.3%, underperforming the MSCI ACWI ex USA (CAD) index return of 6.2%. On a U.S.-dollar basis, MercadoLibre Inc., Arm Holdings PLC, Wisetech Global Ltd., Adyen NV and Tesla Inc. were the five largest contributors to performance during the quarter. We highlight MercadoLibre, Arm and Wisetech below. Trip.com Group Ltd., Yum China Holdings Inc., LVMH Moët Hennessy Louis Vuitton SE (LVMH), Alibaba Group Holding Ltd. and Vipshop Holdings Ltd. were the five weakest contributors to performance. We highlight Trip.com, Yum China and LVMH below.

Stock selection in the consumer discretionary, information technology, financials and health care sectors, as well as the Fund’s allocation in the information technology sector, contributed to relative performance. Stock selection in the communication services, industrials and consumer staples sectors, as well as the Fund’s allocations in the consumer discretionary, health care, industrials, financials and consumer staples sectors, detracted from relative performance.

MercadoLibre is the largest online commerce platform in Latin America, with over 100 million unique active buyers within its commerce platform last year, and what we estimate to be over 10 million unique sellers. The company’s ecosystem also benefits from its 61 million monthly active fintech users that benefit from financial and payment solutions for both consumers and merchants. The company offers its users an ecosystem of six integrated e-commerce services that include its marketplace, payment and fintech solutions, shipping and logistics, advertising, classified listings, and merchant web services. In its most recent fiscal year, commerce and related services accounted for approximately 59% of net revenue, while payments and fintech solutions accounted for approximately 41%. The company operates in 18 countries representing the vast majority of Latin American GDP. We believe MercadoLibre benefits from strong and sustainable competitive advantages that include its network and ecosystem, brand and understanding of local markets that collectively contribute to its leadership position in each market it serves. The company reported strong quarterly financial results that were above consensus expectations for gross merchandise volume (GMV), revenue, operating income and earnings per share. The company continues to execute well and gained market share gains in e-commerce, payments and financial services, contributing to strong 57% constant-currency growth in commerce revenues and 73% growth in fintech revenues that we believe reflects the high value proposition to consumers. We believe MercadoLibre continues to have an attractive financial model that has been impacted over the past few years by an elevated investment cycle intended to strengthen the company's ecosystem and long-term competitive positioning. Reported operating margins of 13% expanded 70 basis points year-over-year, and have improved materially over the past few years from the low-to-mid single digits. We believe management remains focused on balancing the investments needed to further improve user experience and extend the company's leadership in e-commerce and payments with maintaining a sustainable and profitable financial model. With continued growth in internet access, increasing availability of credit and the company's continuing investments to improve the ease and convenience of transacting online, we believe MercadoLibre remains well positioned for sustained growth over the next decade, driven by the secular growth of e-commerce across Latin America. Over our forecast period, we believe the penetration of e-commerce can more than double, which would bring the penetration level into the mid-20% level. We believe MercadoLibre's attractive margins and low-capital-intensity business model will generate annualized growth of free cash flow of approximately 20%, and cash-flow returns on invested capital well above the cost of capital. We believe the current market price embeds expectations for key revenue and cash-flow growth drivers that are well below our long-term assumptions. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and offer a compelling long-term reward-to-risk opportunity.

Arm Holdings is the world's leading microprocessor intellectual property (IP) supplier. The company develops and licenses its microprocessor IP technology to a network of partners to facilitate the design and manufacture of semiconductor chips used in a wide range of end markets, with a primary focus on mobile, cloud, automotive and IoT (internet of things). Arm's clients include most of the world's leading semiconductor companies, which pay licensing fees to utilize the company's industry-standard technologies and ongoing royalties for the resulting chips incorporating its technology. We owned Arm in our large-cap and all-cap growth portfolios from 2012 until it was acquired by SoftBank Group in 2016. Under SoftBank, the company invested substantially in research and development (R&D) and accelerated its pace of innovation. As a result, Arm launched Armv9, its most advanced processor architecture, and its Neoverse microarchitecture that enables the company to effectively compete in the data centre business. In September 2023, we initiated a position in Arm via its initial public offering (IPO) in which SoftBank spun-off a minority interest in the company. We believe Arm's strong and sustainable competitive advantages include its IP and expertise, which are the results of decades of focused, cumulative R&D, and a strong brand that dominates industry "mind share" and has contributed to a large, complex and well-established network of inter-firm collaboration – known as a business ecosystem – that creates high switching costs for partners. Arm's IP, which establishes a unified language (Instruction Set Architecture or "ISA") that allows for interoperability between software and hardware producers, has maintained a dominant share of approximately 95% of processors used in mobile devices. Despite its decades of cumulative knowledge, it can still take close to a decade and substantial resources to successfully commercialize subsequent generations of processors. The years of investment required prior to revenue generation for even the industry leader highlights the degree of expertise required and creates high barriers to entry for competitors. Arm's mobile processor industry leadership over the past two decades has created a strong ecosystem of developers and co-dependent companies in the value chain that has carried over to other markets, including microcontrollers (MCUs) used in IoT applications, microprocessors (MPU) used in many end markets such as autos and consumer electronics, and more recently, server central processing units (CPUs) used for cloud computing. The company has developed these ecosystems around each of its key end markets of mobile, automotive, IoT and cloud – any one of which individually would be difficult to replicate. For the quarter, Arm reported record financial results that were ahead of both management guidance and consensus expectations. The company is seeing faster-than-expected incorporation of its higher-royalty technology as companies look to monetize artificial intelligence (AI), and the company offers the only available design tool allowing for customization. The company reported strong traction for its next-generation Armv9 architecture in the mobile market it has long dominated, with smartphone-related revenue up 30% despite unit growth in the low single digits. Further, with its Neoverse Compute Subsystems (CSS) architecture, which seeks to lessen the design and development time for new complex data centre chips, the company is growing share in cloud server compute and also seeing traction in both mobile and automotive end markets. As a result, Armv9 royalty revenue, which carries a royalty rate twice as high as Armv8, grew to over 30% of royalty revenue from 20% in the prior-year quarter. Even with the growing penetration of its latest architecture, as of the company's most-recent fiscal year, approximately 50% of Arm's royalty revenue came from products launched over a decade ago, which highlights the persistence of revenue from Arm's technology. Arm participates in end markets that we estimate represent approximately US$300 billion of addressable annual expenditures that we expect to collectively grow at a mid-single-digit compounded annual rate. Prior to Arm's acquisition by Softbank, the mobile market accounted for two-thirds of Arm's revenues. As a result of its investments in next generation architecture, continued expansion into diversified end markets, and share gains across all of its newer markets, markets outside of mobile grew to represent approximately 65% of the company's revenue in its 2023 fiscal year, before declining more recently owing to strong growth in upfront licensing revenue. Over time, we expect royalty revenue will grow to comprise about 80% of the business by the end of our forecast period. We believe Arm's brand, value proposition and massive ecosystem position the company for healthy growth across all of its current end markets, arising from a combination of underlying market growth, share gains and pricing power. Collectively, we believe the company can generate compounded annual revenue growth in the high-teens. With our expectation for continued growth in the high-margin royalty business, which possesses a greater than 75% operating margin, as well as the benefits of growing scale in other areas of its business, we believe Arm will grow operating income and free cash flow faster than revenues, in the low-20% and approximately 30% ranges, respectively. We believe Arm's shares embed expectations that underestimate the company's sustainable growth and margin expansion opportunities. As a result, we believe that the company is trading at a meaningful discount to our intrinsic value and represents an attractive reward-to-risk opportunity.

Wisetech Global is the leading software solutions provider to the global logistics industry. Founded in 1994 to provide freight-forwarding and customs software to the Australian logistics industry, Wisetech solutions are used in whole or in part by over 90% of the world's 50 largest third-party logistics providers (3PLs) and all of the 25 largest freight forwarders, led by the company's primary SAAS (software-as-a-service) platform, CargoWise One. From a single unified platform, the company offers function-specific and enterprise-wide modules that support the complex international movement of goods and create substantial efficiencies for its logistics clients. The company's vision is to become the world's operating system for global logistics. Wisetech's most-recently reported financial results for the first half of its 2025 fiscal year (ended December 2024) reflected continued strong penetration of its end markets, 15% organic revenue growth, and EBITDA (earnings before interest, taxes, depreciation and amortization) margins of over 50% that expanded 460 basis points to reach their second highest level ever. After having substantially slowed its pace of acquisition activity, the company announced two sizeable acquisitions in landside logistics in 2023, which continued to expand the company's capabilities outside of forwarding to execute on its strategy of building a universal operating system for global logistics, but were expected to depress its operating margins for the next few years. We did not believe the decline in margins was structural, and margins rebounded a year sooner than expected. In May, the company announced the acquisition of E2open, a U.S.-based cloud logistics company, for US$2.1 billion, including the assumption of US$0.9 billion in net debt. While Wisetech has focused predominantly on logistics providers, where they have a dominant position with freight forwarders, it has been expanding into adjacent areas, including customs/compliance and landside logistics. E2open has historically focused on the end customers of logistics providers, including manufacturers and retailers, with a smaller presence with logistics providers themselves. While there is risk in integration, the acquisition provides Wisetech a scaled platform to its customer's customers, advancing the company's vision to become the standard operating system for global trade and logistics, versus its legacy focus on just logistics. Earlier in the year, shares were pressured following the announcement that four of six board members resigned, and Founder Richard White would return as Chairman. In October 2024, media reports of potential personal misconduct on the part of CEO and founder Richard White, including potential workplace misconduct, led to Mr. White stepping down as CEO and transitioning to a consulting role focused on product and business development. Andrew Cartledge, who had served as CFO since 2015, during which time the company grew from approximately AUD 80 million in revenue to over AUD 1 billion in its latest fiscal year, was appointed interim CEO while the Board launched a global search for a new CEO. Although the circumstances were unfortunate, as Mr. White's vision and strategy were key to building the company to the leading position it holds today, pending further negative developments, we believed his ongoing involvement, with the prospect of adding a more operationally focused CEO, represented an acceptable compromise under the circumstances. White remains fully committed to the company, in which he continues to hold an approximate 35% equity interest. In April, White and the company finalized their agreement, with White becoming Executive Chairman and Chief Innovation Officer for the next 10 years, with a five-year extension agreement. Also in April, a number of favourable developments may have contributed to positive share price performance, including the lessening of trade tensions, the acquisition by Wisetech's largest client, DSV, of DB Schenker, the fourth-largest freight forwarder that was not previously using CargoWise One, and the addition of four new independent board members, Rob Castaneda, Chris Carlton, Andrew Harrison and Sandra Hook. As we do with any regulatory or corporate developments such as management changes or acquisitions, we will continue to monitor and assess any potential structural impact on our investment thesis for Wisetech and on the company's market share or growth. However, we continue to believe Wisetech benefits from strong and sustainable competitive advantages that include an installed client base with high switching costs, its freight-forwarding industry expertise, significant investments in research and development, its brand and network. We further believe that White remains key to the company's ongoing product development and strategy execution. We believe Wisetech will benefit from secular growth in logistics software and services as companies increasingly move towards outsourcing and away from less-effective in-house solutions. With virtually no comparable off-the-shelf competition to its unified global platform, Wisetech is the dominant market share leader in its legacy freight-forwarding market. We estimate the company now captures over 20% share of its addressable freight forwarding market, up from the mid-single digits five years ago, with gains coming at the expense of proprietary solutions or competitor offerings that addressed only limited industry functions or geographies. Through underlying industry growth, Wisetech's continued market share gains in its legacy freight-forwarding market, and ongoing penetration of other parts of the logistics industry performed by 3PLs, including warehouse management, land transportation and cargo handling, we believe the company can generate compounded annual revenue growth of approximately 20% over our long-term investment horizon, with faster growth in operating profits and free cash flow as the company benefits from scale and operating leverage. We continue to believe the expectations embedded in Wisetech's share price underestimate the company's superior positioning and the sustainability of its growth. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and represent a compelling reward-to-risk opportunity.

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China-based Trip.com, formerly known as Ctrip, is the world's largest global travel platform. Founded in 1999, the company offers a comprehensive, integrated platform on which travelers can make arrangements for lodging, transportation, packaged tours and other related services, as well as providing corporate travel management services. The company provides its services in China through its Ctrip and Qunar platforms and serves non-Chinese customers primarily thorough Trip.com and Skyscanner. We believe Trip.com's strong and sustainable competitive advantages include the power of its network and ecosystem, its scale, and leading brands. As an early-mover in the fragmented China travel industry, the company has built the leading network of travelers and travel partners over the past twenty-five years. The company has over 400 million worldwide users that are attracted to its leading share of inventory in hotels, ticketing services and vacation packages. As more travelers come to its sites, more travel providers wish to come, and vice versa. The company's scale serves to strengthen the power of its network and ecosystem. Trip.com is the clear leader in the China online travel agent (OTA) market with approximately 50% market share, which is greater than double the next largest competitor, Meituan. Scale also enables the company to invest more in products, service and brand than its smaller competitors. Collectively, we believe these competitive advantages would be very difficult for a competitor to replicate. Trip.com reported quarterly financial results that were fundamentally strong and above consensus expectations for revenues, adjusted operating profit and EPS (earnings per share). Year-over-year revenue growth of 16% reflected continued recovery of the China travel market, as well as increased demand for international travel and the company's global brands. China cross-border flight capacity recovered to 83% of pre-pandemic levels, and the company expects it to approach 90% by year-end, leading management to reiterate its full-year guidance for mid-teens revenue growth. Travel booking on the company's international OTA platform rose 60% year-over-year, driven by strong growth in the Asia-Pacific region. To support the growth of its global business and brands, the company increased sales and marketing expenditures by 30% year-over-year, and expects the higher level of investment to be sustained over the near term. As a result, adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) margins of 31% declined 270 basis points year-over-year, but were still above consensus estimates. We believe these investments will support sustained growth in revenue and expect that profitability and free cash flow will improve as China benefits from a normalization of travel after several years of COVID-related restrictions. As the leading global travel platform and largest in China, we believe Trip.com is well positioned to benefit from long-term growth in travel expenditures by consumers and business travelers in China. The company has largely recovered from the pandemic, with much of the business now exceeding pre-pandemic levels, while other parts of the industry, such as China cross-border flights, still remain at approximately 85% of pre-pandemic levels. We believe the company's share price embeds expectations for key revenue and cash flow metrics that are substantially below our long-term assumptions. As a result, we believe the company's shares are trading at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

Yum China is the largest restaurant company in China, operating over 16,000 restaurants primarily under the KFC and Pizza Hut brands.

Yum China reported solid quarterly financial results that were better than expected for same-store-sales growth and restaurant margins and again reflected record net-new store openings. However, unit growth was nonetheless slower than expected and revenues and profitability were below expectations. We believe the financial and operating results reflect the company’s continued success in navigating a challenging consumer spending environment. The company continues to expand into lower-tier cities while consistently innovating to sustain consumer purchases – especially among its over 540 million loyalty members. We also believe the company has the products and scale to offer increasingly value-conscious consumers attractive food options at all price points, while still serving customers looking for greater premiumization. The company has recently accelerated the pace of its store openings while sustaining attractive payback periods. While it took the company 25 years to open its first 5,000 stores and eight years to open the next 5,000, the last 5,000 took only four years and the company anticipates exceeding 20,000 units by 2026. We believe Yum China’s strong and sustainable competitive advantages include its exclusive license to operate and franchise two of the most prominent restaurant brands in China, the scale of its distribution and supply-chain infrastructure, a first-mover advantage in real estate procurement, and decades of experience in restaurant operations. The Chinese economy is transitioning to a consumption-driven economy, following a path similar to that of other developing economies. We believe this will fuel future consumption spending, including expenditures in restaurants, as food options such as Pizza Hut and KFC become increasingly affordable to an emerging middle class with rising levels of disposable income. With its iconic brands, large and complex supply-chain infrastructure, and real estate procurement expertise, we believe Yum China remains well positioned to benefit from the secular growth of consumer spending on restaurants in China. We believe current market expectations do not reflect the company’s long-term opportunity for increased sales owing to unit growth and consumer recovery, as well as the resulting improvement in margins and free cash flow. As a result, we believe the company is selling at a discount to our estimate of intrinsic value.

Paris-based LVMH is the world’s largest luxury company and possesses a portfolio of iconic brands that, on average, are more than a century old. The company operates primarily through five distinct business units: fashion & leather goods (approximately 48% of revenues); selective retailing (21% of revenues); perfumes & cosmetics (9%); watches & jewelry (12%); and wines & spirits (7%). In each segment, the company benefits from brand heritage and scale that leave it among the best positioned to benefit from structural growth in the global luxury market. From a regional perspective, Asia accounts for approximately 36% of sales, with approximately 25% in the U.S., 25% in Europe, and 13% from the rest of the world. LVMH provided a brief first-quarter financial update that reflected a 2% decline in revenue year-over-year that was below consensus expectations for a modest increase. Lower-than-expected results were largely attributable to a decline in the company's fashion & leather goods category, which represents 48% of sales and 81% of profits. The segment declined 5% relative to consensus expectations for a 1% decline. The global luxury market has been experiencing a period of weakness, attributed to a challenging geopolitical, economic and inflationary environment in many regions. This comes after two years of extraordinary growth (in 2021 and 2022), which pulled forward demand from subsequent years. These issues have been most acute among Chinese consumers, and more recently from weak U.S. consumer sentiment arising from uncertainties surrounding trade policy and the economy. Specific to LVMH, the company attributed underperformance relative to expectations in fashion & leather goods to Dior, its second-largest brand. After several years of strong growth in which revenues increased 2.5x between 2019 and 2023, a more recent lack of new product innovation weighed on sales. Louis Vuitton, the company's largest brand, outperformed the segment average, but has also been impacted by weakness in the aspirational luxury consumer base globally – a consumer segment we estimate accounts for approximately one-third of the company's sales, and that which is more sensitive to the economic environment. We believe these conditions are transient and contributed to our opportunity to initiate our position last December. We believe the luxury goods market is structurally attractive and possesses long-term structural growth drivers. Further, we believe embedded expectations underappreciate the durability of LVMH's competitive advantages, arising from almost impenetrable barriers to entry for many of its brands whose timeless qualities have been built over decades and centuries. We took advantage of near-term price weakness to add to our position during the quarter.

Our investment process is characterized by bottom-up, fundamental research and a long-term investment time horizon. The nature of the process leads to a lower turnover portfolio where sector positioning is the result of stock selection. At quarter-end, the Fund had overweight positions in the consumer discretionary, information technology, health care and consumer staples sectors. The Fund had underweight positions in the financials, industrials and communication services sectors. We held no positions in the materials, energy, real estate or utilities sectors. We remain committed to our long-term investment approach to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value.

Fund and benchmark performance, as at June 30, 2025	1 year	Since inception (Jun. 2024)
IA Clarington Loomis International Growth Fund – Series A	15.9%	14.4%
MSCI ACWI ex USA Index (CAD)[1]	17.4%	17.2%

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For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your investment advisor.

[1]Source: MSCI Inc. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

The performance data comparison presented is intended to illustrate the Fund's historical performance as compared with historical performance of widely quoted market indices. There are various important differences that may exist between the Fund and the stated indices that may affect the performance of each. The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 1,981 constituents, the index covers approximately 85% of the global equity opportunity set outside the US. The Fund's market capitalization, geographic and sector exposure may differ from that of the benchmark. The Fund's currency risk exposure may be different than that of the benchmark. The Fund may hold cash while the benchmark does not. It is not possible to invest directly in market indices. The performance comparison is for illustrative purposes only and does not imply future performance.

Indicated mutual fund rates of return include changes in share or unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Returns for more than one year are historical annual compounded total returns while returns for one year or less are cumulative figures and are not annualized.

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